

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
MEDICAL ASSISTANCE PROGRAM
STATE ARKANSAS

ATTACHMENT 4.19-A
Page 1

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -
INPATIENT HOSPITAL SERVICES

Revised: September 7, 1999

1. Inpatient Hospital Services

The State has in place a public process, which complies with the requirements of Section 1902(a)(13)(A) of the Social Security Act.

In accordance with Section 1902(s) of the Social Security Act, we do not impose dollar limits on any inpatient hospital services for children under age one (or children that are hospitalized on their first birthday). This includes the \$675.00 upper payment limit, the TEFRA rate of increase limit, the customary charge upper limit or the \$150,000 transplant limit. This applies to all inpatient hospitals.

Effective for claims with dates of service on or after July 1, 1991, all acute care hospitals with the exception of Pediatric Hospitals, Arkansas State Operated Teaching Hospitals, Rehabilitative Hospitals, Inpatient Psychiatric Hospitals and Out-of-State Hospitals, will be reimbursed based on reasonable costs with interim per diem rates and year-end cost settlements, with an upper limit of \$584.00 per day.

Effective for claims with dates of service on or after April 1, 1996, all acute care hospitals with the exception of Pediatric Hospitals, Arkansas State Operated Teaching Hospitals, Rehabilitative Hospitals, Inpatient Psychiatric Hospitals and Out-Of-state Hospitals will be reimbursed based on reasonable cost with interim per diem rates and year-end cost settlements, with an upper limit of \$675.00 per day. The upper limit was established taking the 90th percentile of the cost based per diems using their 1994 year end cost reports. This does not include the hospitals listed above as exceptions.

Effective for claims with dates of service on or after January 1, 1997, the upper limit of \$675.00 per day will be applied to Arkansas State Operated Teaching Hospitals. The upper payment limit will apply to allowable costs; except GME payments will not be subject to the upper limit. **Effective for cost reporting periods ending on or after June 30, 2000, the upper limit of \$675.00 per day will no longer be applied to Arkansas State Operated Teaching Hospitals.**

Arkansas Medicaid will use the lesser of cost or charges to establish cost settlements. If the lesser of cost or charges exceed the upper limit payment times total hospital Medicaid days, then the upper limit payment times the total hospital Medicaid days will be used to calculate the cost settlement. Effective for dates of service on or after July 1, 1991 thru March 31, 1996, the upper limit payment

SUPERSEDES: TN - 98-02

STATE	Arkansas
DATE RECD	9-13-99
DATE APVD	11-22-99
DATE EFF	9-7-99
HCFA 179	99-20

A

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
MEDICAL ASSISTANCE PROGRAM
STATE ARKANSAS

ATTACHMENT 4.19-A
Page 1a

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -
INPATIENT HOSPITAL SERVICES

Revised: May 1, 2000

1. Inpatient Hospital Services (Continued)

of \$584 will be applied. Effective for dates of service on or after April 1, 1996, the upper limit payment of \$675 will be applied. Except for malpractice insurance, graduate medical education costs and the base period for determining the TEFRA target limits, the interim per diem rates and the cost settlements are calculated in a manner consistent with the method used by the Medicare Program. The definition of allowable costs to be used is as follows:

- (a) The State will use the Medicare allowable costs as stated in the HIM-15, except that the gross receipts tax is not an allowable cost.

The State will use the criteria referenced in 42 CFR, Section 413.80(e) - Criteria for allowable bad debt, to determine allowable bad debt.

- (b) Physicians/Administrative/Teachers will be included in costs as recognized by Medicare reimbursement principles.

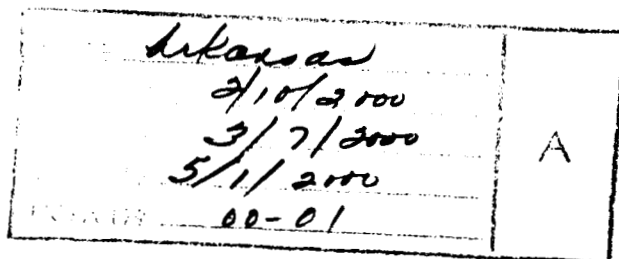
At cost settlement, Arkansas Medicaid will limit reimbursement to the lowest of the following:

- (a) Allowable costs after application of the TEFRA rate of increase limit. The TEFRA rate of increase limit is the hospital's TEFRA target rate multiplied by its total number of Medicaid discharges.

Effective for cost reporting periods ending on or after June 30, 2000, the TEFRA rate of increase limit will no longer be applied to Arkansas State Operated Teaching Hospitals.

- (b) The hospital's customary charges to the general public for the services. (This will be applied on an annual basis at cost settlement.)

- (c) An upper payment limit per Medicaid day. The upper payment limit is the total number of Medicaid inpatient days during the cost reporting period multiplied by the applicable upper limit. Effective for claims with dates of service on or after July 1, 1991 thru March 31, 1996, the upper limit payment of \$584 will be applied. Effective for claims with dates of service on or after April 1, 1996, the upper limit payment of \$675 will be applied.



SUPERSEDES: TN - 76-03

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
MEDICAL ASSISTANCE PROGRAM
STATE ARKANSAS

ATTACHMENT 4.19-A
Page 1b

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -
INPATIENT HOSPITAL SERVICES

February 1, 1992

1. Inpatient Hospital Services (Continued)

Effective for cost reporting periods beginning on or after February 1, 1992, an exception may be granted by the Arkansas Medicaid Program to acute care/general hospitals in the following circumstances:

- a. **Exceptions -** The State may adjust a hospital's operating cost upward or downward, as appropriate under circumstances listed below. The State makes an adjustment only to the extent that the hospital's costs are reasonable, attributable to the circumstances specified and separately identified by the hospital.
1. **Extraordinary Circumstances -** The hospital must demonstrate to the State that it incurred increased costs (in either a cost reporting period subject to the ceiling or the hospital's base period) due to extraordinary circumstances beyond its control. These circumstances include, but are not limited to strikes, fire, earthquakes, floods or similar unusual occurrences with substantial cost effects. For the above circumstances, the TEFRA limit would be waived for the cost reporting period in which the extraordinary circumstances occurred. The TEFRA limit would be applied for the next cost reporting period with the current inflation factor and the preceding year's inflation factor applied.
 2. **Changes in Case Mix -** The hospital has added or discontinued services in a year after its base period or has experienced a change in case mix. Also, the addition or discontinuation of a new hospital unit(s) such as, but not limited to, a new burn unit or psychiatric unit could result in a change in case mix. The hospital must demonstrate to the State that the change in case mix resulted in a distortion in the rate of cost increase and the hospital must submit data to the State summarizing the case mix changes and the resulting changes in costs. The TEFRA limit will be adjusted to reflect the increase in cost for the year that the change in case mix occurred.
 3. **TEFRA Limit for Psychiatric Units -** Effective for services on or after February 1, 1992, the Arkansas Medicaid Program will implement a separate TEFRA limit which will be calculated and applied to psychiatric units in acute care/general hospitals which did not have a psychiatric unit when the TEFRA limit was established. The base year for calculating the TEFRA limit will be the first full cost reporting period beginning on or after February 1, 1992. The TEFRA limit will be applied beginning the first cost reporting period after the base year.

STATE	<u>Arkansas</u>	A
DATE REC'D	<u>2-10-92</u>	
DATE APP'VD	<u>5-8-92</u>	
DATE EFF	<u>2-1-92</u>	
HCFA #	<u>9203</u>	

Superseded - New Page

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
MEDICAL ASSISTANCE PROGRAM
STATE ARKANSAS

ATTACHMENT 4.19-A
Page 2

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -
INPATIENT HOSPITAL SERVICES

Revised: February 1, 1992

1. Inpatient Hospital Services (Continued)

Arkansas' method of reimbursing malpractice insurance will be a simple calculation made outside the cost report and the result added back on to the Medicaid settlement page of the report. The calculation would apply a Medicaid utilization factor based on cost to the portion of total malpractice expense (91.5%) which is reimbursed for Medicare on worksheet D-8 of the cost report. The remaining 8.5% remains on worksheet A of the cost report and flows through to be reimbursed like any other administrative cost. The final result would be to reimburse malpractice for Medicaid as though all malpractice expense remained on worksheet A and simply flowed through the cost report.

For those hospitals determined as rural hospitals as of January 1, 1989, the base period for determination of TEFRA limits will be the first full cost reporting period beginning on or after January 1, 1989 - inflation index based on Medicare principles (the HCFA Market Basket Index or the Congressional Set Inflation Factor).

For all other Arkansas acute care hospitals, with the exception of Pediatric Hospitals and Arkansas State Operated Teaching Hospitals, the base period for determination of TEFRA limits will be the first full cost reporting period beginning on or after July 1, 1991. The inflation index based on Medicare principles (the HCFA Market Basket Index or the Congressional Set Inflation Factor) will be applied beginning the first year after the base year. Thereafter, the TEFRA limit will be updated annually using the HCFA Market Basket Index or the Congressional Set Inflation Factor.

STATE	<i>Arkansas</i>	A
DATE REC'D	<i>2-10-92</i>	
DATE APP'D	<i>5-8-92</i>	
DATE EFF	<i>2-1-92</i>	
HCFA ID	<i>92-03</i>	
<i>Supersede - 91-20</i>		

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
MEDICAL ASSISTANCE PROGRAM
STATE ARKANSAS

ATTACHMENT 4.19-A
Page 3

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -
INPATIENT HOSPITAL SERVICES

Revised:

September 1, 1994

1. Inpatient Hospital Services (Continued)

Direct medical education costs, including graduate medical education costs, are reimbursed based on Medicare reasonable cost rules in effect prior to the effective date of the September 29, 1989 rule.

Inpatient hospital services required for corneal, renal and pancreas/kidney transplants are reimbursed in the same manner as other inpatient hospital services.

Interim reimbursement for heart transplants, liver transplants, bone marrow transplants, lung transplants and skin transplants for burns will be 80% of billed charges, subject to subsequent review to determine that only covered charges are reimbursed. Reimbursement will not exceed \$150,000. Reimbursement includes all medical services relating to the transplant procedure from the date of admission for the bone marrow transplant procedure to the date of discharge and the date of the heart, liver, lung or skin transplant procedure to the date of discharge. The recipient may not be billed for Medicaid covered charges in excess of the State's reimbursement. Both the hospital and physician claims will be manually priced simultaneously. If the combined total exceeds the \$150,000 maximum, reimbursement for each provider type will be decreased by an equal percentage resulting in an amount which does not exceed the maximum dollar limit. Transplant patients, dates of service and payments will be identified in the hospital's provider statistical reimbursement report. Provider Audit will then be able to identify charges associated with the transplant and disallow these charges in the cost report. This reimbursement methodology applies to all acute care/general hospitals, including Pediatric Hospitals, Arkansas State Operated Teaching Hospitals and Out-of-State Hospitals.

SUPERSEDES: TN - 91-62

STATE	Arkansas
DATE RECD	8-19-94
DATE ADJ	10-25-94
DATE	9-21-94
PC	94-18
	A

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
MEDICAL ASSISTANCE PROGRAM
STATE ARKANSAS

ATTACHMENT 4.19-A
Page 3a

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -
INPATIENT HOSPITAL SERVICES

Revised:

March 1, 1999

1. Inpatient Hospital Services (Continued)

Effective for claims with dates of service on or after July 1, 1994, hospitals in bordering cities will be reimbursed based on reasonable costs with interim per diem rates and year-end cost settlements, with an upper limit of \$584.00 per day.

Effective for claims with dates of service on or after April 1, 1996, all hospitals in bordering cities will be reimbursed based on reasonable cost with interim per diem rates and year-end cost settlements, with an upper limit of \$675.00 per day. The upper limit was established taking the 90th percentile of the cost based per diems using their 1994 year end cost reports as explained on Attachment 4.19-A, Page 1.

Effective for claims with dates of service on or after July 1, 1994 thru March 31, 1996, the upper limit payment of \$584 will be applied. Effective for claims with dates of service on or after April 1, 1996, the upper limit payment of \$675 will be applied.

Effective for claims with dates of service on or after March 1, 1999, hospitals located in Springfield, Missouri will qualify to be designated as a bordering city hospital and will be reimbursed based on reasonable cost with an interim per diem rate and year-end cost settlement. The upper limit of \$675 will be applicable.

The following cities which are located within a fifty (50) mile trade area are considered bordering cities: Poplar Bluff, Missouri; **Springfield, Missouri**; Greenville, Mississippi; Poteau, Oklahoma; Memphis, Tennessee and Texarkana, Texas.

All other reimbursement information contained in Attachment 4.19-A, Pages 1 through 3, pertains to bordering city hospitals.

The TEFRA base year will be the first full cost reporting period beginning on or after July 1, 1991.

STATE <u>Arkansas</u>	A
DATE REC'D <u>1-4-99</u>	
DATE APPV'D <u>3-1-99</u>	
DATE EFF <u>3-1-99</u>	
HCFA 179 <u>98-19</u>	

SUPERSEDES: TN - 96-03

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
MEDICAL ASSISTANCE PROGRAM
STATE ARKANSAS

ATTACHMENT 4.19-A
Page 4

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -
INPATIENT HOSPITAL SERVICES

Revised: July 1, 1993

1. Inpatient Hospital Services (Continued)

Pediatric Hospitals

Pediatric hospitals are classified as a separate class group. The Medicaid definition of a pediatric hospital is: A hospital is a pediatric hospital if it has in effect an agreement to participate as a hospital and the majority of its patients are individuals under the age of 21.

Pediatric hospitals are reimbursed based on interim per diem rates with year end cost settlement for cost reporting periods ending on or after June 30, 1988. Arkansas Medicaid will use the lesser of cost or charges to establish cost settlements. Except for malpractice insurance, the gross receipts tax and graduate medical education costs, the interim per diem rates and cost settlements are calculated in a manner consistent with the method used by the Medicare Program. The definition of allowable costs to be used is as follows:

- (a) The State will use the Medicare allowable costs as stated in the HIM-15 including the cost limitations of TEFRA with the exception of the gross receipts tax. The gross receipts tax is not an allowable cost. The State will use the criteria referenced in 42 CFR, Section 413.80(e) - Criteria for allowable bad debt, to determine allowable bad debt. Hospitals reimbursed based on Medicare allowable costs with year end cost settlement may request an exemption from, or exception or adjustment to, the rate of cost increase ceiling (TEFRA limits). The request must be made to the State within 180 days from the ending date of the cost reporting period for which the need of such a request is determined. The State responds to the request within 180 days from the date the State receives the request and notifies the hospital of the State's decision.

Arkansas

STATE	A
DATE REC'D	APR 23 1993
DATE APPL'D	JUL 20 1993
DATE EFF	JUL 01 1993
HCFAP#	749720

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
MEDICAL ASSISTANCE PROGRAM
STATE ARKANSAS

ATTACHMENT 4.19-A
Page 5

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -
INPATIENT HOSPITAL SERVICES

Revised: July 1, 1991

1. Inpatient Hospital Services (Continued)

Pediatric Hospitals (Continued)

- 1.a. An exception or exemption may be granted by the State in the following circumstances:

(1) Exemptions - New Hospitals

A new hospital may be either a hospital currently enrolled in Arkansas Medicaid which has changed its subspecialty to a pediatric hospital for reimbursement purposes only or a new pediatric hospital which has never been enrolled as a provider.

New hospitals that request and receive an exemption from the State are not subject to the rate of increase ceiling. A new pediatric hospital is a provider of inpatient hospital services for which the State has granted approval to participate in the Medicaid Program as a subspecialty pediatric hospital within the past three years. The first cost reporting period, beginning at least two years after the State granted approval for the hospital to operate under Medicaid as this type of hospital, will be the hospital's base year.

(2) Exceptions

The State may adjust a hospital's operating costs upward or downward, as appropriate under circumstances listed below. The State makes an adjustment only to the extent that the hospital's costs are reasonable, attributable to the circumstances specified and separately identified by the hospital.

STATE	<i>Arkansas</i>	A
DATE REC'D	MAY 31 1991	
DATE APY'D	DEC 23 1991	
DATE EFF	JUL - 1 1991	
HCEA 175	91-20	

Revised 89-38

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
MEDICAL ASSISTANCE PROGRAM
STATE ARKANSAS

ATTACHMENT 4.19-A
Page 6

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -
INPATIENT HOSPITAL SERVICES

Revised: July 1, 1993

1. Inpatient Hospital Services (Continued)

Pediatric Hospitals (Continued)

(a) **Extraordinary Circumstances.** The hospital must demonstrate to the State that it incurred increased costs (in either a cost reporting period subject to the ceiling or the hospital's base period) due to extraordinary circumstances beyond its control. These circumstances include, but are not limited to strikes, fire, earthquakes, floods or similar unusual occurrences with substantial cost effects. For the above circumstances, the TEFRA limit would be waived for the cost reporting period in which the extraordinary circumstances occurred. The TEFRA limit would be applied for the next cost reporting period with the current inflation factor and the preceding year's inflation factor applied.

(b) **Changes in Case Mix.** The hospital has added or discontinued services in a year after its base period or has experienced a change in case mix. Also, the addition or discontinuation of a new hospital unit(s) such as, but not limited to, a new burn unit or psychiatric unit could result in a change in case mix. The hospital must demonstrate to the State that the change in case mix resulted in a distortion in the rate of cost increase and the hospital must submit data to the State summarizing the case mix changes and the resulting changes in costs. The TEFRA limit will be adjusted to reflect the increase in cost for the year that the change in case mix occurred.

1.b. The Medicaid per diem will be subject to rate of increase granted under Medicare to PPS exempt hospitals.

1.c. If the provider does not qualify or apply for the exception, the base period (TEFRA Year) will be the initial cost reporting period when the hospital enrolled as a pediatric hospital in the Arkansas Medicaid Program. The inflation index based on Medicare principles (the HCFA Market Basket Index or the Congressional set inflation factor) would be applied beginning the first year after the base year.

1.d. Physicians/Administrative/Teachers will be included in costs as recognized by Medicare reimbursement principles.

STATE	Arkansas	A
DATE REC'D	APR 23 1993	
DATE APP'D	JUL 20 1993	
DATE EFF	JUL 01 1993	
HCFA #	93-15	

Supersedes: TN 91-20

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
MEDICAL ASSISTANCE PROGRAM
STATE ARKANSAS

ATTACHMENT 4.19-A
Page 7

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -
INPATIENT HOSPITAL SERVICES

Revised: September 1, 1994

1. Inpatient Hospital Services (Continued)

Pediatric Hospitals (Continued)

Any costs associated with heart, liver, non-experimental bone marrow, lung and skin transplants will not be reimbursed through a cost settlement. Refer to Attachment 4.19-A, Page 3, for the reimbursement methodology for these procedures.

Arkansas' method of reimbursing malpractice insurance for pediatric hospitals will be a simple calculation made outside the cost report and the result added back on to the Medicaid settlement page of the report. The calculation would apply a Medicaid utilization factor based on cost to the portion of total malpractice expense (91.5%) which is reimbursed for Medicare on worksheet D-8 of the cost report. The remaining 8.5% remains on worksheet A of the cost report and flows through to be reimbursed like any other administrative cost. The final result would be to reimburse malpractice for Medicaid as though all malpractice expense remained on worksheet A and simply flowed through the cost report.

Direct medical education costs, including graduate medical education costs, are reimbursed based on Medicare reasonable cost rules in effect prior to the effective date of the September 29, 1989 rule.

STATE <u>Arkansas</u>	A
DATE REC'D <u>8-19-94</u>	
DATE APPV'D <u>10-25-94</u>	
DATE EFF <u>9-01-94</u>	
HCFA 179 <u>94-18</u>	

SUPERSEDES: TN - 94-62